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Economist raps Perry's tax-rebate plan

Laffer says California's fiscal woes were caused by a similar policy

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AUSTIN — Gov. Rick Perry on Tuesday promoted his plan to rebate excess tax collections to Texans, but a nationally known economist appearing on the same stage with Perry said it was a bad idea.

Perry and former Reagan administration economist Arthur Laffer appeared before the Texas Public Policy Foundation in connection with a new report Laffer has issued, saying Texas' tax policies are better for attracting and retaining businesses than those in California.

Laffer said California tax policy has stifled the state's ability to recover from an economic downturn and has led to state government facing a $15 billion budget shortfall.

Perry said the differences come from the Texas Legislature's willingness to cut $10 billion from the budget in 2003.

Perry said the last legislative session left $7 billion in tax revenues unspent. He said he would like to see the state constitution changed so that can be given back to the citizens of the state as rebates.

"Those tax dollars could have gone back to better use," the governor said.

At a news conference afterward, Laffer was asked about Perry's proposal.

The economist suggested Texas would be better off to have a broad-based consumption or sales tax with a flat rate than to give taxpayer rebates, saying "you really want lower (tax) rates" rather than to give "a check per person."

"A rebate is probably not the way to benefit your state the most," he said.

The Texas Public Policy Foundation, which paid for Laffer's study, is a conservative, low-tax business organization.

The more liberal human services organization, the Center for Public Policy Priorities, criticized Laffer's study as focusing only on a portion of the budget issues in both states. The center's fiscal analyst, Dick Lavine, said California invests more state money in public and higher education and highways than Texas does.

"Texas' current policies leave us with a less-educated, less-trained work force and consumers with lower median incomes," Lavine said. "That isn't the way to attract economic activity."

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